



Joint City Council and School Committee Meeting

Meeting Minutes

On January 28, 2018 a joint meeting of the Northampton City Council and the School committee was held at JFK Middle School, 100 Bridge Street in Florence. The meeting was called in accordance with Northampton Charter §7-2 Annual Budget Policy.

At 7:00 pm Mayor Narkewicz called the joint meeting to order. A roll call was taken by Pamela L. Powers, Administrative Assistant to the City Council. Present were:

Jesse M. Adams, City Councilor At-Large
William H. Dwight, City Councilor At-Large
Maureen T. Carney, Ward One City Councilor
Dennis P. Bidwell, Ward Two City Councilor
Ryan R. O'Donnell, Ward Three City Councilor
Gina-Louise Sciarra, Ward Four City Councilor
Marianne L. LaBarge, Ward Six City Councilor
Alisa F. Klein, Ward Seven City Councilor (7:15 pm arrival)
Molly B. Burnham, School Committee Member At-Large
Nathaniel M. Reade, School Committee Member At-Large
Rebecca Busansky, Ward One School Committee Member
Laura Fallon, Ward Two School Committee Member
Howard T. Moore, Ward Three School Committee Member
Edward S. Zuchowski, Ward Four School Committee Member
Ann M. Hennessey, Ward Five School Committee Member
Thomas J. Baird, Ward Six School Committee Member
R. Downey Meyer, Ward Seven School Committee Member

David A. Murphy, Ward Five City Councilor was absent.

Mayor Narkewicz gave a Powerpoint presentation which depicted the financial condition of the city, revenue and expenditure forecasts, and other relevant information that will be used to develop a coordinated budget for the city. The presentation was followed by a question and answer period. No votes were taken during the meeting.

Also present were: Susan Wright, Finance Director, Candice Walczak, NPS Business Manager, and John Provost, Superintendent of Northampton Public Schools.

As part of the presentation, Mayor Narkewicz gave comparisons of selected financial indicators between Northampton and other communities that were similar in size. Other communities that were selected for this report were: Agawam, Amherst, Chicopee, Easthampton, Greenfield, Holyoke, Longmeadow, West Springfield and Westfield.

The FY2016 indicator for Single Family Home Value shows the average single family home value in Northampton is \$301,040; Northampton is the third highest of the selected cities behind Amherst and Longmeadow. The average value for single family homes in Massachusetts is \$383,606.

The Residential Tax Rate for Northampton in FY2016 is \$16.16, the second lowest of the comparison communities. Only Easthampton's residential tax rate is lower.

Northampton's Commercial Tax Rate for FY2016 is \$16.16, the second lowest among the comparison communities; only Easthampton was lower.

The average Single Family Tax Bill in Northampton for FY 2016 was \$4,865.00. Among the comparison communities, this rate is the third highest. Longmeadow and Amherst were higher at \$7,977 and \$7,078 respectively. Chicopee, at \$2,906 was the lowest among the other communities.

The state average Median Household Income for 2010 – 2014 was \$67,846; for this same index, Northampton was \$58,179.

Free cash helps to fund many capital improvement projects for the city and the schools. Mayor Narkewicz reported a positive trend in Certified Undesignated Fund Balance since FY2011. The FY16 amount of free cash was certified at \$3,422,570.

Bond Rating agencies look at the strength of the general fund reserve history when analyzing performance. The primary goal is to get the reserves up to 10% of the overall budget. Currently the city is at 7.47%. This indicator has a direct impact on the city's bond rating.

The city's most recent bond rating was in December, 2015. The city achieved a Standard & Poors Rating of AA+ stable. Noted strengths are the city's strong economy; strong management with strong financial policies and practices; strong budgetary performance and flexibility; strong debt position with debt service at 6.1% of expenditures; low overall net debt and rapid amortization with 80.4 % of debt scheduled to be paid off in ten years. The bond rating helps the city obtain low borrowing rates.

Most city revenue comes from taxes and state revenue. Key revenue trends that were discussed include: new growth, uncollected taxes, motor vehicle excise tax, hotel/motel/meals tax, charges for various services in parking, ambulance, and inspection permits, fines (parking tickets and RMV reimbursements), enterprise fund indirect revenues, investment income, net state aid, unrestricted general revenue, government aid, and Chapter 70. The net state aid shows a downward trend over the past three years. Regarding Chapter 70 Education Aid to the city, Mayor Narkewicz reports that the city can expect a 0.7% increase in FY2017 (or \$56,900).

Regarding expenses, Education and Employee Benefits are the top two city expenses and they account for 57.94% of the city spending. The education amount includes outgoing charter school and school choice tuition; the employee benefit amounts include health insurance and retirement assessment.

The \$34.2 million in the General Fund for NPS and SVAS (and shown on the pie graph) include only direct operating expenses. A more accurate total spending on education must also include other expenditures that are reflected in other budgets within the General Fund, like: employee benefits, insurance, school crossing guards, debt for school capital projects, general administration, and central services. The revised accounting for the total cost of education brings the cost of education from \$34,273,843 (38.76%) to \$47,999,307 (54.3%).

The average outgoing tuition for a charter student is \$12,227.09 and the average outgoing tuition with a school choice student is \$7,836.94. The average incoming tuition with a school choice student is \$6,733.98. Mayor Narkewicz explained that more student leave the city to attend school choice or charter schools, and those that come to the city for school choice come with less dollars. In FY2016, the city experienced a net loss of 69 students to choice and charter schools. In determining how much money each community will receive in reimbursement, the 1993 The Education Reform Act established a foundation budget for each community. Since that time, health insurance and special education costs have risen beyond what was included in the original formula.

Health Insurance is a major driver of the employee benefits line item. Although the cost of health insurance for the next fiscal year is not yet known, even a small percentage increase can have a significant impact on this line item.

The Mayor shared spending trend information on key budgetary areas, including: Public Safety, Debt Service, General Government, Public Works, Culture and Recreation, and Human Services (Veterans' Services, Senior Services, and Health Department).

In 2013 voters adopted \$2.5 million operating override, partly to close a \$1.4 budget gap, and partly to set aside funds to maintain fiscal stability through 2018. Since the override, the city has been controlling costs and projecting revenues conservatively. As a result, a revised projection shows the fiscal stability fund won't be fully depleted until FY2021. There are a few factors that could impact the new projection. The Mayor predicts a 2% increase (\$1.7 million) in revenues. On the expense side, some of the expenditures are still undetermined; including health insurance costs and collective bargaining (both city and school).

A final slide showed the FY2017 Budget Process Timeline. The next step in the budgeting process will be for the Mayor to submit proposed water and sewer rates to the city council; he expects that this will be done for the Feb. 4, 2016 meeting.

Councilor Adams asked the Mayor whether it was possible for Northampton to get a AAA+ rating from bond agencies. Mayor Narkewicz explained that while it may not be impossible, he is unaware of any city similar in size to Northampton that has such a rating. The Mayor believes that part of this rating is size and scale of a community.

Councilor Adams asked the Mayor whether the budget included additional funds placed in the OPEB and PEB trust funds. The Mayor indicated that the city does plan to continue to add to this trust fund.

School Committee Member Laura Fallon asked whether Smith Vocational School will receive any of the projected \$83 million increase that was put forward in Governor Baker's plan. Mayor Narkewicz explained that he is unsure how the monies will be dispersed, whether the governor plans to make the money available through grants, infusion of funds through budgets, or some other method.

A question was asked about the portion of the city's budget that is allocated to education; and whether Northampton's percent of the budget for education was comparable percentage allocations in other communities. Dr. Provost explained that the number is comparable to other communities, with the possible exception of those locations where Chapter 70 funds are higher. In those communities, the state pays more for the cost of education (like Holyoke and Chicopee).

Councilor Carney asked a question about education revenue. She wondered whether the information presented included revenue from students attending SVAHS. Mayor Narkewicz indicated that the information presented included only school choice revenue.

Councilor Klein asked whether the information presented included savings due to renewable energy. Mayor Narkewicz indicated that this information was not included in his report; however, there is an energy and sustainability fund in which the city deposits SREC credits from solar arrays. The money in these funds is used to re-invest in other projects that promote alternative energy or energy conservation. Future reports can include this information.

Councilor Sciarra asked a question about the per-pupil cost if a child remains in Northampton. Mayor Narkewicz indicated that it is about \$13,000 per child. The tuition is a blended rate because each charter school has a different tuition. When determining what it would cost to send a student to a charter school, the formula includes an "above foundation" amount in addition to the Chapter 70 formula.

Councilor Bidwell asked a question was asked whether P.I.L.O.T. revenue was included in the report; the Mayor explained that the city is not allowed to include projected P.I.L.O.T. revenue in the budget because it is considered a gift.

School Committee Member Burnham asked a question about the model for Charter School Funding and how that model affects the budgets that are presented. Dr. Provost explained that the overall approach is that a city would receive 100% of a net change in tuition in year one if they were increasing the number of students going to a charter school (per school change, not a district change); in subsequent years they would be receiving 25%. The caveat has always been that any monies are subject to appropriations; historically the legislature has never fully funded the amount necessary to follow through on this plan.

School Committee Baird asked a question about the set-up of Smith Vocational school; Mayor Narkewicz explained that they are a local school district of the city of Northampton with a separate Board of Trustees. They develop their own budget and vote on the actual tuition. Funding comes from tuition from other sending districts; only about 23% of the students are from Northampton. Northampton is

unique in the state in that it has two local school districts. When asked if there would be a benefit to combine schools, the Mayor indicated that this has already been considered, however, this approach has its own unique challenges.

Councilor O'Donnell asked whether there was flexibility built into the plan and how the fiscal stability plan might vary. The Mayor points out that the reason that the stability plan has been extended was because the city does not look to draw from the funds unless absolutely necessary. Anytime you use reserve funds in the operating budget means that the money won't be available for other purposes. Mayor Narkewicz indicated that as an optimist, he believes that the 2020 fiscal stability prediction is realistic.

School Committee Member Meyer noted that the governor received an ovation for a 4.3 % increase in the budget that is \$1 billion at the MMA conference; however, Mr. Meyer questioned the response to the 1.6% increase in chapter 70 funds. Mr. Meyer wondered what could be expected in terms of pushback once the budget goes before the House and the Senate. Mayor Narkewicz pointed out that the MMA is very clear on what the issues are with the budget, especially as it relates to the cost of education and the expectations for cities and towns to assume more of the burden for these costs. This means that Chapter 70 funds will be less that they have been in recent years; the Special Education Circuit Breaker Program would be level funded; and regional transportation funds would also be level funded.

Councilor Dwight is concerned about what the budget will mean for taxes and how citizens, who always want lower taxes, will respond. He feels that that we are suffering from continued reliance on a regressive tax system and that subsidizing schools based on property values has a built in disparity. Added to this problem are charter schools. It was intended that charter schools would improve the quality of education by creating a competitive system similar to the free market. Over time this has not proved to be the case. He noted that this same budget conversation takes place yearly without notable improvements. This continues to add pressure to tax payers and forces alternative methods to be sought to generate revenue, like the P.I.L.O.T. program. While Councilor Dwight is grateful for all of the hard work that has gone into the making of the city's stability plan, he is frustrated about what the future will hold for taxpayers.

Mayor Narkewicz gave credit to the governor for his local aid plan. In the past when state revenues went up, local aid was level funded. For FY17, the governor's plan shows a small increase in unrestricted municipal aid. The problem with Chapter 70, the Mayor points out, is that the formula used to calculate reimbursement amounts is outdated and the legislature will need to amend the law in order to change the formula.

To this point, Councilor Dwight commented that there seems to be a huge disconnect between how legislatures can best affect delivery of services and generate revenue for the state versus what is actually occurring on the ground. He noted that on the local level, Northampton's growth is impressive, especially when compared to other communities. Growth, he stressed, can only continue as long as there is space available to allow the growth to continue or the pressures that increase along with the growth.

The Mayor informed the group that the city's Economic Development Director Terry Masterson is working on establishing economic indicators, including attendance at attractions and venues, vacancy rates, etc. Regarding new growth, several projects are in the queue: construction on the Prospect St. housing project is moving forward; St. John Cantius Church re-development is being considered; and the back 35 acres of Village Hill is already permitted. The short term projections indicate that new growth will continue over the next 3 years. Adding to this is the fact that interest rates are still low. The Mayor is always talking with assessors to find out what is going on at the street level. There is still demand for retail space in Northampton. Vacancy rates (with one noted exception) are pretty stable. The city schools are still a draw for people coming to Northampton.

Councilor Adams stated that while there are some areas of new growth, there are several store fronts that are currently empty.

Councilor LaBarge asked what the problem was with Charter Schools. The formula is a big problem. She asked the Mayor what we can do about the predicament. Mayor Narkewicz explained that the issue is that the legislature doesn't fully fund the reimbursement every year. There are lots of communities in the state where the reimbursement is not an issue because they don't have charter schools in the surrounding area. There is an initiative to lift the cap on the amount of charter schools in the state; however, if you are an underperforming district, there is no cap. There is a lot of misinformation bantered about and the number of people on a waiting list to get into charter schools is either not real, or not well understood.

Councilor Klein asked about regionalization of services, specifically if the city has maxed out all possibilities for cost savings. The Mayor reported that the city continues to seek out opportunities to regionalize services and recapped some of the successes in this area.

The presentation is available on the city's website under the Mayor's "Budget" page.

At 8:35 pm Councilor Dwight moved to adjourn the meeting; councilor LaBarge seconded the motion. All in favor; no opposition, no abstentions.